

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 COME-00 EB-11 LAB-06 SIL-01 FEA-02

AID-20 OMB-01 SAJ-01 IO-14 FRB-02 XMB-07 TRSE-00

AGR-20 FPC-01 INT-08 DRC-01 /207 W

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R 211530Z MAR 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 8319

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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E.O. 11652: N/A

TAGS: ECON, ELAB, AFSP, ALLOW, CY

SUBJECT: INFLATION AND LABOR UNREST

SUMMARY: PRICES CONTINUE CLIMB IN RESPONSE INCREASED GASOLINE AND ELECTRICITY COSTS. ONE DAY ELECTRICITY WORKERS STRIKE WINS 15 PERCENT WAGE HIKE. INFLATIONARY PRESSURES PROMPT SEVERAL PUBLIC CAMPAIGNS FOR RELIEF. END SUMMARY

TEL AVIV FOR AGATT

REF: NICOSIA A-30, MARCH 15, 1974; NICOSIA 311

1. CYPRUS RETAIL PRICE INDEX REGISTERED 2.8 PERCENT INCREASE IN FEBRUARY, PRIMARILY RESULT OF INCREASED GASOLINE, LPG, SUGAR AND RICE PRICES. THIS FOLLOWS BETTER THAN 3 PERCENT RISE IN JANUARY. INCREASES IN LIMITED OFFICIAL USE

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ELECTRICITY RATES RANGING FROM 37 TO 87 PERCENT WERE

EFFECTED MARCH 1. ASSUMING THAT GASOLINE PRICES WILL BE MAINTAINED AT CURRENT LEVEL, 6.6 PERCENT AUTOMATIC COST OF LIVING INCREASE IN MAY FOR CIVIL SERVANTS AND MOST OTHER EMPLOYEES APPEARS INEVITABLE.

2. WITH SEVERAL MAJOR LABOR CONTRACTS DUE FOR RENEWAL, 1974 ALSO HOLDS PROMISE LABOR UNREST AND SUBSTANTIAL WAGE INCREASES. DEVELOPMENTS TO DATE INCLUDE: A) MARCH 20-21, 27-HOUR STRIKE BY SOME 1400 CYPRUS ELECTRICITY AUTHORITY (CYEA) EMPLOYEES IN SUPPORT OF DEMANDS FOR 30 PERCENT WAGE INCREASE SPREAD OVER THREE YEARS. STRIKERS RETURNED TO WORK MARCH 21, ACCEPTING CYEA COMPROMISE OFFER (15 PERCENT OVER THREE YEARS) FORMULATED AFTER ALL NIGHT PALACE NEGOTIATIONS UNDER MAKARIOS AUSPICES; B) INCREASING PRESSURE FROM CIVIL SERVANTS FOR SHORTER HOURS AND INCREASED ALLOWANCES.

3. INFLATIONARY PRESSURES HAVE ALSO PROMPTED SUCH RECENT PUBLIC CAMPAIGNS AS: A) HALF-DAY NATIONAL STRIKE BY SHOPKEEPERS IN SUPPORT OF THEIR DEMANDS FOR PASSAGE OF BILL EXTENDING SHOP RENT CONTROL; B) DEMONSTRATIONS BY TAXI AND RENTAL CAR OWNERS DEMANDING CONCESSIONAL GASOLINE PRICES; C) BUSINESS COMMUNITY DEMANDS FOR EASING OF GOV. CREDIT RESTRICTIONS. (THOUGH CENTRAL BANK LOWERED LIQUIDITY RATIO REQUIREMENT BY 4 PERCENT MARCH 15, FUNDS RELEASED MUST BE USED TO FINANCE CAPITAL INVESTMENT IN INDUSTRY, TOURISM AND AGRICULTURE OR RELATED IMPORTS AND EXPORTS.)

4. COMMENT: CYEA CONTRACT AGREEMENT WILL SERVE AS YARDSTICK FOR OTHER MAJOR CONTRACTS--CONSTRUCTION, INDUSTRY, COMMUNICATIONS--CURRENTLY UNDER NEGOTIATION. LABOR DEMANDS, COMBINED WITH DEMANDS FROM OTHER SECTORS OF ECONOMY, WILL MAKE 1974 AN UNEASY YEAR. CYPRUS GOVERNMENT PLANNERS CURRENT PREDICTIONS OF 12 PERCENT INFLATION RATE FOR 1974 MAY PROVE CONSERVATIVE. GRANT

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